

**REPORT OF THE AUDIT OF THE  
WEBSTER COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2014**



**ADAM H. EDELEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable James R. Townsend, Webster County Judge/Executive  
Members of the Webster County Fiscal Court

The enclosed report prepared by Kem, Duguid & Associates, PSC, Certified Public Accountants, presents the financial statement of Webster County, Kentucky, for the year ended June 30, 2014, which collectively comprise the County's basic financial statement.

We engaged Kem, Duguid & Associates, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Kem, Duguid & Associates, PSC evaluated Webster County, Kentucky's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Adam H. Edelen".

Adam H. Edelen  
Auditor of Public Accounts

Enclosure

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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE WEBSTER COUNTY FISCAL COURT**

**June 30, 2014**

Kem, Duguid & Associates, PSC, has completed the audit of the Webster County Fiscal Court for fiscal year ended June 30, 2014.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Webster County, Kentucky.

#### **Financial Condition:**

The Webster County Fiscal Court had total receipts of \$12,496,881, and disbursements of \$12,537,188 in fiscal year 2014. This resulted in a total ending fund balance of \$2,443,008, which is a decrease of \$40,307 from the prior year.

#### **Deposits:**

The fiscal court's deposits as of June 30, 2014, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$560,610

The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

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MICHAEL A. KEM, CPA  
SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA  
WALTER G. CUMMINGS, CPA



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
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### Independent Auditor's Report

#### **Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Webster County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

#### **Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

American Institute of Certified Public Accountants - Kentucky Society of Certified Public Accountants

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### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described more fully in Note 1, the financial statement is prepared by Webster County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Webster County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash and cash equivalents of Webster County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the financial reporting provisions prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Webster County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules and capital asset schedule have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the basic financial statement.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable James R. Townsend, Webster County Judge/Executive  
Members of the Webster County Fiscal Court

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 24, 2015 on our consideration of Webster County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

*Kem, Duguid & Associates, P.S.C.*

Kem, Duguid & Associates, PSC

February 24, 2015

WEBSTER COUNTY OFFICIALS

For The Year Ended June 30, 2014

**Fiscal Court Members:**

James R. Townsend

Chad Townsend

Tony Felker

Jerry Brown

County Judge/Executive

Magistrate

Magistrate

Magistrate

**Other Elected Officials:**

William Clint Prow

Terry Elder

Valerie Newell

Amy Villines

Frankie Springfield

Jeffrey Kelley

Larry Vanover

County Attorney

Jailer

County Clerk

Circuit Court Clerk

Sheriff

Property Valuation Administrator

Coroner

**Appointed Personnel:**

Paula K. Guinn

Lessa Russell

County Treasurer

Financial Officer

**WEBSTER COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2014**

**WEBSTER COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2014**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 1,369,150	\$	\$
In Lieu Tax Payments	20,060		
Excess Fees	17,553		
Licenses and Permits	10,090		
Intergovernmental	1,182,828	1,876,996	2,541,863
Charges for Services	1,290		56,522
Miscellaneous	83,147	1,057,057	134,352
Interest	3,105	4,325	3,784
Total Receipts	<u>2,687,223</u>	<u>2,938,378</u>	<u>2,736,521</u>
<b>DISBURSEMENTS</b>			
General Government	1,499,655		
Protection to Persons and Property	469,308		2,202,894
General Health and Sanitation	66,324		
Social Services	9,217		
Recreation and Culture			
Roads		2,939,080	
Airports			
Debt Service			363,448
Administration	884,239	267,429	490,798
Total Disbursements	<u>2,928,743</u>	<u>3,206,509</u>	<u>3,057,140</u>
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)	<u>(241,520)</u>	<u>(268,131)</u>	<u>(320,619)</u>
Net Change in Fund Balance	(241,520)	(268,131)	(320,619)
Fund Balance - Beginning (Restated)	523,255	515,227	839,132
Fund Balance - Ending	<u>\$ 281,735</u>	<u>\$ 247,096</u>	<u>\$ 518,513</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 494,815	\$ 367,043	\$ 619,303
Plus: Deposits in Transit			
Less: Outstanding Checks	<u>213,080</u>	<u>119,947</u>	<u>100,790</u>
Fund Balance - Ending	<u>\$ 281,735</u>	<u>\$ 247,096</u>	<u>\$ 518,513</u>

The accompanying notes are an integral part of the financial statement.

WEBSTER COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN FUND BALANCES - REGULATORY BASIS  
 For The Year Ended June 30, 2014  
 (Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	State Grants Fund	Federal Grants Fund	Sanitation Fund	Sewer Replacement Fund
\$	\$	\$	\$	\$
1,110				
1,718,548	1,443,413	28,388		
375			215,086	
337,106				
561	474		314	188
2,057,700	1,443,887	28,388	215,400	188
123,521	13,250			
75,556	59,871	28,388		
800,574	480,826		200,361	
132,847				
10,812	285,307			
78,880	593,518			
4,241				
70,856			13,530	
1,297,287	1,432,772	28,388	213,891	
760,413	11,115		1,509	188
760,413	11,115		1,509	188
462,624	18,257		53,794	37,292
\$ 1,223,037	\$ 29,372	\$ 0	\$ 55,303	\$ 37,480
\$ 1,258,931	\$ 57,213	\$	\$ 53,753 1,550	\$ 37,480
35,894	27,841			
\$ 1,223,037	\$ 29,372	\$ 0	\$ 55,303	\$ 37,480

The accompanying notes are an integral part of the financial statement.

WEBSTER COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN FUND BALANCES - REGULATORY BASIS  
 For The Year Ended June 30, 2014  
 (Continued)

	Unbudgeted Funds		
	Public Properties Bond Fund	Jail Commissary Fund	Total Funds
<b>RECEIPTS</b>			
Taxes	\$	\$	\$ 1,369,150
In Lieu Tax Payments			20,060
Excess Fees			17,553
Licenses and Permits			11,200
Intergovernmental	202,160		8,994,196
Charges for Services		187,036	460,309
Miscellaneous			1,611,662
Interest			12,751
Total Receipts	<u>202,160</u>	<u>187,036</u>	<u>12,496,881</u>
<b>DISBURSEMENTS</b>			
General Government			1,636,426
Protection to Persons and Property		170,298	3,006,315
General Health and Sanitation			1,548,085
Social Services			142,064
Recreation and Culture			296,119
Roads			3,611,478
Airports			4,241
Debt Service	202,160		565,608
Administration			1,726,852
Total Disbursements	<u>202,160</u>	<u>170,298</u>	<u>12,537,188</u>
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)		<u>16,738</u>	<u>(40,307)</u>
Net Change in Fund Balance		16,738	(40,307)
Fund Balance - Beginning	1,076	32,658	2,483,315
Fund Balance - Ending	<u>\$ 1,076</u>	<u>\$ 49,396</u>	<u>\$ 2,443,008</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,076	\$ 49,396	\$ 2,939,010
Plus: Deposits in Transit			1,550
Less: Outstanding Checks			497,552
Fund Balance - Ending	<u>\$ 1,076</u>	<u>\$ 49,396</u>	<u>\$ 2,443,008</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT

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WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENT

June 30, 2014

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Webster County includes all budgeted and unbudgeted funds under the control of the Webster County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation created to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

**WEBSTER COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

**Local Government Economic Assistance Fund** - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

**State Grants Fund** - The primary purpose of this fund is to account for various grants received from the State.

**Federal Grants Fund** - The primary purpose of this fund is to account for various grants received through Federal sources.

**Local Government Economic Development Fund** - The primary purpose of this fund is to account for the proceeds of specific receipt sources and disbursements that are legally restricted for specific purposes.

**Sanitation Fund** - The primary purpose of this fund is to account for sanitation receipts and related disbursements. The primary source of receipts for this fund is charges for services.

**Home Fund** - The primary purpose of this fund is to account for the proceeds of specific receipt sources and disbursements that are legally restricted for specific purposes. The primary source of receipts for this fund is federal grants.

**Sewer Replacement Fund** - The primary purpose of this fund is to account for sewer replacement receipts and related expenses. The primary source of receipts for this fund is interest.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

**Public Properties Bond Fund** - The primary purpose of this fund is to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

**Jail Commissary Fund** - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

**WEBSTER COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

The State Local Finance Officer does not require the Public Properties Bond Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Webster Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Webster County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Webster County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**F. Deposits and Investments**

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**G. Long-term Obligations**

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

**WEBSTER COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of June 30, 2014, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$560,610

**Note 3. Trust Funds**

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following trust funds:

**Jail Inmate Fund** - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2014 was \$26,907.

**HRA Fund** - This fund accounts for employee and employer contributions to reimburse employees for health care expenses. The balance in the HRA Fund as of June 30, 2014 was \$106,894.

**Health Reimbursement Account** - To account for county contributions to individual health accounts maintained for each employee.

WEBSTER COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 June 30, 2014  
 (Continued)

Note 4. Long-term Debt

A. First Mortgage Refunding Revenue Bonds (Judicial Center Project), Series 2011

On May 5, 2011, the Webster County, Kentucky, Public Properties Corporation (the "Corporation") issued First Mortgage Refunding Revenue Bonds, Series 2011 to refund First Mortgage Revenue Bonds (Judicial Center Project), Series 2002. The total bond issue was \$2,195,000, with interest rates from 4.00% to 4.50%. Interest is payable on February 1 and August 1 of each year. As of June 30, 2014, bonds outstanding were \$1,930,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 135,000	\$ 64,135
2016	140,000	61,435
2017	140,000	58,285
2018	150,000	54,785
2019	150,000	50,660
2020-2024	835,000	177,058
2025-2026	380,000	24,150
Totals	<u>\$ 1,930,000</u>	<u>\$ 490,508</u>

B. Webster County Detention Center Expansion

On December 16, 2010, the Webster County Fiscal Court entered into a lease-purchase agreement with Kentucky Association of Counties Leasing Trust (KACOLT) in the amount of \$5,335,000. Monthly Principal and Interest payments are due beginning January 1, 2011. The final installment is due on January 1, 2037. The effective interest rate is 5.46%. The purpose of the lease-purchase agreement is to close the current jail expansion construction loan and convert it to a fixed rate loan. Principal outstanding as of June 30, 2014 totaled \$4,827,916. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 127,083	\$ 238,919
2016	132,083	233,200
2017	137,083	227,256
2018	142,083	221,088
2019	149,167	214,694
2020-2024	849,583	966,556
2025-2029	1,070,833	750,811
2030-2034	1,364,167	450,459
2035-2037	855,834	85,653
Totals	<u>\$ 4,827,916</u>	<u>\$ 3,388,636</u>

WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENT  
June 30, 2014  
(Continued)

**Note 4. Long-term Debt (Continued)**

**A. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 2,065,000	\$	\$ 135,000	\$ 1,930,000	\$ 135,000
Financing Obligations	4,946,667		118,751	4,827,916	127,083
Total Long-term Debt	<u>\$ 7,011,667</u>	<u>\$</u>	<u>\$ 253,751</u>	<u>\$ 6,757,916</u>	<u>\$ 262,083</u>

**Note 5. Commitments and Contingencies**

**A. Industrial Revenue Bonds**

The Webster County Fiscal Court has adopted ordinances approving the issuance of Industrial Revenue Bonds. Such Bond issues do not constitute a general debt, liability, or moral obligation of Webster County. Accordingly, these financial statements do not include any assets or liabilities related to the issuance of these bond issues.

**B. Solid Waste Interlocal Agreement**

Webster County entered into an interlocal agreement with Union and Henderson Counties and Cities of Henderson and Corydon establishing a Solid Waste Recycling Facility and Program for these areas. All parties have agreed to fund the operational expense of this organization. The county is responsible for 19.50% of the Solid Waste Recycling Facility and Program operating expenses. Expenses incurred under this agreement for the fiscal year ended June 30, 2014, were \$29,534.

**C. Interlocal Tri-County New Water and Wastewater Treatment Facility**

The County of Webster entered into an interlocal agreement with the Counties of Henderson and McLean, the City of Henderson, and the City of Henderson Water and Sewer Commission, to which the local governments agree to supplement the City of Henderson Water and Sewer Commission's debt service on the Water and Wastewater Treatment Facility in southern Henderson County on an equal basis should the excess receipts generated by the facility be less than the amount necessary to fund the debt service required for the related facility. The County had no expenses related to this agreement for fiscal year ended 2014.

**D. West Kentucky Regional Industrial Development Authority - Kenergy Loan Guarantee**

Webster County in conjunction with Henderson, Union, and McLean Counties issued an ordinance which guarantees a portion of the \$450,000, zero-interest rural development loan to Kenergy from the West Kentucky Regional Industrial Development Authority to assist in promoting development of the 4 Star Industrial Park. Webster County authorized a guarantee of \$150,000. Henderson County also guaranteed \$150,000 and Union and McLean Counties each guaranteed \$75,000.

WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENT  
June 30, 2014  
(Continued)

**Note 5. Commitments and Contingencies (Continued)**

**E. Regional Economic Development Corporation**

The Webster County Fiscal Court (Fiscal Court) has retained an ongoing financial interest in the Regional Economic Development Corporation (REDC). The REDC is a joint venture between the Fiscal Court and McLean, Union, and Henderson County Fiscal Courts for the purpose of promoting economic development activities in such counties. Expenses incurred under this agreement for the fiscal year ended June 30, 2014, were \$30,600.

**Note 6. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 19.55 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 37.60 percent.

The county's contribution for FY 2012 was \$477,748, FY 2013 was \$501,635, and FY 2014 was \$719,440.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

**WEBSTER COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Deferred Compensation**

In March 1990, the Webster County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

WEBSTER COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 June 30, 2014  
 (Continued)

**Note 8. Insurance**

For the fiscal year ended June 30, 2014, Webster County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Prior Period Adjustment**

	<u>Jail Fund</u>
Ending Fund Balance Prior Year	\$ 832,737
Adjustments:	
Prior Year Voided Checks	<u>6,395</u>
Beginning Cash Balances and Cash Equivalents - Restated	<u>\$ 839,132</u>

**Note 10. Health Reimbursement Account**

The Webster County Fiscal Court established a health reimbursement account to provide eligible employees an additional health benefit. The County has contracted with Febco, Inc., a third-party administrator, to administer the plan. The plan provides a debit card to each eligible employee to pay for qualified medical expenses. The provision for each employee varies from year to year. The amount for the fiscal year ended June 30, 2014 was \$2,500.

**WEBSTER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**

**WEBSTER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 1,314,697	\$ 1,314,697	\$ 1,369,150	\$ 54,453
In Lieu Tax Payments	23,928	23,928	20,060	(3,868)
Excess Fees	16,424	16,424	17,553	1,129
Licenses and Permits	10,065	10,065	10,090	25
Intergovernmental	1,262,841	1,262,841	1,182,828	(80,013)
Charges for Services	300	300	1,290	990
Miscellaneous	124,928	124,928	83,147	(41,781)
Interest	2,588	2,588	3,105	517
Total Receipts	<u>2,755,771</u>	<u>2,755,771</u>	<u>2,687,223</u>	<u>(68,548)</u>
<b>DISBURSEMENTS</b>				
General Government	1,592,222	1,557,022	1,499,655	57,367
Protection to Persons and Property	528,546	603,546	469,308	134,238
General Health and Sanitation	79,376	80,576	66,324	14,252
Administration	932,322	982,322	884,239	98,083
Total Disbursements	<u>3,132,466</u>	<u>3,232,766</u>	<u>2,928,743</u>	<u>304,023</u>
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)	<u>(376,695)</u>	<u>(476,995)</u>	<u>(241,520)</u>	<u>235,475</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers from Other Funds	<u>67,932</u>	<u>67,932</u>		<u>(67,932)</u>
Total Other Adjustments to Cash (Uses)	<u>67,932</u>	<u>67,932</u>		<u>(67,932)</u>
Net Change in Fund Balance	<u>(308,763)</u>	<u>(409,063)</u>	<u>(241,520)</u>	<u>167,543</u>
Fund Balance - Beginning	<u>308,763</u>	<u>308,763</u>	<u>523,255</u>	<u>214,492</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (100,300)</u>	<u>\$ 281,735</u>	<u>\$ 382,035</u>

**WEBSTER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>ROAD FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,587,216	\$ 1,837,216	\$ 1,876,996	\$ 39,780
Miscellaneous	388,650	461,750	1,057,057	595,307
Interest	3,540	3,540	4,325	785
Total Receipts	1,979,406	2,302,506	2,938,378	635,872
<b>DISBURSEMENTS</b>				
Roads	1,831,017	3,011,267	2,939,080	72,187
Administration	305,719	298,569	267,429	31,140
Total Disbursements	2,136,736	3,309,836	3,206,509	103,327
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)	(157,330)	(1,007,330)	(268,131)	739,199
<b>Other Adjustments to Cash (Uses)</b>				
Transfers to Other Funds	(67,932)	(67,932)		67,932
Total Other Adjustments to Cash (Uses)	(67,932)	(67,932)		67,932
Net Change in Fund Balance	(225,262)	(1,075,262)	(268,131)	807,131
Fund Balance - Beginning	225,262	475,262	515,227	39,965
Fund Balance - Ending	\$ 0	\$ (600,000)	\$ 247,096	\$ 847,096

WEBSTER COUNTY  
 BUDGETARY COMPARISON SCHEDULES  
 Supplementary Information - Regulatory Basis  
 For The Year Ended June 30, 2014  
 (Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,699,375	\$ 2,699,375	\$ 2,541,863	\$ (157,512)
Charges for Services	71,444	71,444	56,522	(14,922)
Miscellaneous	112,214	112,214	134,352	22,138
Interest	4,311	4,311	3,784	(527)
Total Receipts	2,887,344	2,887,344	2,736,521	(150,823)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,394,432	2,420,432	2,202,894	217,538
Debt Service	371,929	371,929	363,448	8,481
Capital Projects	130,000	130,000		130,000
Administration	621,531	595,531	490,798	104,733
Total Disbursements	3,517,892	3,517,892	3,057,140	460,752
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)	(630,548)	(630,548)	(320,619)	309,929
Net Change in Fund Balance	(630,548)	(630,548)	(320,619)	309,929
Fund Balance - Beginning	630,548	630,548	839,132	208,584
Fund Balance - Ending	\$ 0	\$ 0	\$ 518,513	\$ 518,513

WEBSTER COUNTY  
 BUDGETARY COMPARISON SCHEDULES  
 Supplementary Information - Regulatory Basis  
 For The Year Ended June 30, 2014  
 (Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Licenses and Permits	\$ 1,160	\$ 1,160	\$ 1,110	\$ (50)
Intergovernmental	1,115,781	1,115,781	1,718,548	602,767
Charges for Services	365	365	375	10
Miscellaneous	246,799	246,799	337,106	90,307
Interest	497	497	561	64
Total Receipts	<u>1,364,602</u>	<u>1,364,602</u>	<u>2,057,700</u>	<u>693,098</u>
<b>DISBURSEMENTS</b>				
General Government	166,857	151,857	123,521	28,336
Protection to Persons and Property	68,731	75,831	75,556	275
General Health and Sanitation	763,136	954,336	800,574	153,762
Social Services	146,509	152,472	132,847	19,625
Recreation and Culture	9,950	14,687	10,812	3,875
Roads	238,888	238,888	78,880	160,008
Airports	4,000	4,300	4,241	59
Administration	96,348	116,048	70,856	45,192
Total Disbursements	<u>1,494,419</u>	<u>1,708,419</u>	<u>1,297,287</u>	<u>411,132</u>
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)	<u>(129,817)</u>	<u>(343,817)</u>	<u>760,413</u>	<u>1,104,230</u>
Net Change in Fund Balance	(129,817)	(343,817)	760,413	1,104,230
Fund Balance - Beginning	<u>134,817</u>	<u>234,817</u>	<u>462,624</u>	<u>227,807</u>
Fund Balance - Ending	<u>\$ 5,000</u>	<u>\$ (109,000)</u>	<u>\$ 1,223,037</u>	<u>\$ 1,332,037</u>

**WEBSTER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>STATE GRANTS FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,643,445	\$ 2,643,445	\$ 1,443,413	\$ (1,200,032)
Interest			474	474
Total Receipts	<u>2,643,445</u>	<u>2,643,445</u>	<u>1,443,887</u>	<u>(1,199,558)</u>
<b>DISBURSEMENTS</b>				
General Government	43,647	28,147	13,250	14,897
Protection to Persons and Property	115,200	115,200	59,871	55,329
General Health and Sanitation	1,071,147	1,022,347	480,826	541,521
Recreation and Culture		285,400	285,307	93
Roads	1,413,451	1,192,351	593,518	598,833
Total Disbursements	<u>2,643,445</u>	<u>2,643,445</u>	<u>1,432,772</u>	<u>1,210,673</u>
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)			<u>11,115</u>	<u>11,115</u>
Net Change in Fund Balance			11,115	11,115
Fund Balance - Beginning			<u>18,257</u>	<u>18,257</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,372</u>	<u>\$ 29,372</u>

**WEBSTER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>FEDERAL GRANTS FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 28,388	\$ (1,612)
Total Receipts	30,000	30,000	28,388	(1,612)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	30,000	30,000	28,388	1,612
Total Disbursements	30,000	30,000	28,388	1,612
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

WEBSTER COUNTY  
 BUDGETARY COMPARISON SCHEDULES  
 Supplementary Information - Regulatory Basis  
 For The Year Ended June 30, 2014  
 (Continued)

SANITATION FUND				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Charges for Services	\$ 195,410	\$ 195,410	\$ 215,086	\$ 19,676
Interest	313	313	314	1
Total Receipts	195,723	195,723	215,400	19,677
<b>DISBURSEMENTS</b>				
General Health and Sanitation	195,216	207,216	200,361	6,855
Administration	13,782	16,782	13,530	3,252
Total Disbursements	208,998	223,998	213,891	10,107
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)	(13,275)	(28,275)	1,509	29,784
Net Change in Fund Balance	(13,275)	(28,275)	1,509	29,784
Fund Balance - Beginning	13,275	13,275	53,794	40,519
Fund Balance - Ending	\$ 0	\$ (15,000)	\$ 55,303	\$ 70,303

WEBSTER COUNTY  
 BUDGETARY COMPARISON SCHEDULES  
 Supplementary Information - Regulatory Basis  
 For The Year Ended June 30, 2014  
 (Continued)

SEWER REPLACEMENT FUND			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>			
Interest	\$	\$	\$ 188
Total Receipts			188
<b>DISBURSEMENTS</b>			
Total Disbursements			
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)			188
Net Change in Fund Balance			188
Fund Balance - Beginning			37,292
Fund Balance - Ending	\$ 0	\$ 0	\$ 37,480

**WEBSTER COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2014**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

**WEBSTER COUNTY**  
**SUPPLEMENTARY SCHEDULE**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**

**WEBSTER COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 440,316	\$ 69,071	\$	\$ 509,387
Construction In Progress	54,413	227,681	54,413	227,681
Buildings	13,047,433	42,571		13,090,004
Vehicles	2,859,654	416,962	563,396	2,713,220
Equipment	2,663,138	480,918	5,000	3,139,056
Infrastructure	14,874,936	1,490,128	486,684	15,878,380
 Total Capital Assets	 <u>\$ 33,939,890</u>	 <u>\$ 2,727,331</u>	 <u>\$ 1,109,493</u>	 <u>\$ 35,557,728</u>

**WEBSTER COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - SCHEDULE OF CAPITAL ASSETS**

**June 30, 2014**

**Note 1. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings and Building Improvements	\$ 5,000	10-75
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

MICHAEL A. KEM, CPA  
SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA  
WALTER G. CUMMINGS, CPA



The Honorable James R. Townsend, Webster County Judge/Executive  
Members of the Webster County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

**Independent Auditors' Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balance - Regulatory Basis of the Webster County Fiscal Court for the fiscal year ended June 30, 2014 and the related notes to the financial statement and have issued our report thereon dated February 24, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Webster County Fiscal Court's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Webster County's Fiscal Court internal control. Accordingly, we do not express an opinion on the effectiveness of the Webster County Fiscal Court's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Webster County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

*Kem, Duguid & Associates, P.C.*

Kem, Duguid & Associates, PSC  
Certified Public Accountants

February 24, 2015

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS  
WEBSTER COUNTY FISCAL COURT**

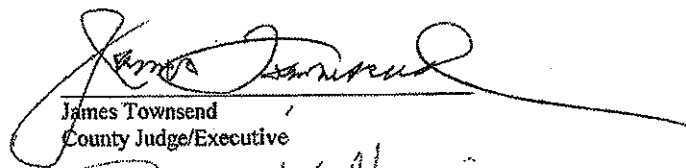
**For The Fiscal Year Ended  
June 30, 2014**

**Appendix A**

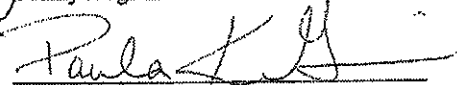
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS  
WEBSTER COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2014

The Webster County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



James Townsend  
County Judge/Executive



Paula Guinn  
County Treasurer